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SUBJECT: CODEL BERMAN MEETS WITH CARNEGIE CENTER AND AMCHAM

¶1. (SBU) Summary: In separate meetings June 30, Codel Berman met with Carnegie Center experts and AmCham members. Carnegie's Trenin told the Codel that missile defense was the "make-or-break" issue for Russia's post-START treaty posture. Russia benefited from U.S. tensions with Iran, although it had little influence over that country. Masha Lipman and Nikolay Petrov described the GOR's internal structure as "clannish" with competing visions, while Putin's job was to maintain the public image of the government as a cohesive whole. Russia's recent WTO membership decision was proof that the liberal clan was in the minority. AmCham members told the Codel that business corruption was decreasing in Russia, but still amounted to 5-10 percent of operating expenses. U.S. companies operating in Russia were positively affecting Russians' views of corruption. End summary.

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Carnegie on START, MD, Iran  
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¶2. (SBU) In a June 30 meeting, Carnegie Center Director Dmitriy Trenin told House Foreign Affairs Committee Howard Berman (D-CA), Representatives Howard Coble (R-NC), Bill Delahunt (D-MA), Brad Miller (D-NC), Dana Rohrabacher (R-CA), David Scott (D-GA), and Albio Sires (D-NJ) that Russia did not want a START treaty renewal at any price, although it understood it was bargaining from a position of global military weakness. For Russia the negotiating process was more important than concluding a post-START treaty, as the process put Russia on the same level as the U.S. Russia considered missile defense (MD) to be the "make-or-break" issue in this context, as Moscow believed the U.S. was striving through MD to acquire invulnerability against Russian missiles. Trenin held out that this central tenet of Russian strategic thinking could be weakened if the U.S. and Russia were to agree to a joint effort study on MD, leading to a breakthrough in the U.S.-Russian relationship. However, Russia had nothing it could offer the U.S. to make cooperation on MD worthwhile.

¶3. (SBU) Trenin said that Russia's influence on Iran was limited, although Moscow considered President Obama's January letter purportedly asking for Medvedev's assistance on Iran to be an implicit acknowledgement of Russian interests in the region. While Russia considered sanctions to be ineffective, it was waiting for the U.S. policy on Iran to prove itself. Trenin stated that Russia benefited from tense U.S.-Iran relations, which allowed Russia to maintain closer ties with the "rising power" in the Middle East.

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Carnegie on internal politics  
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¶4. (SBU) Carnegie's Masha Lipman told the congressmen that the Russian government was not split into factions, rather there were different "visions" amongst members, as evidenced by recent contradictory statements by 1st Deputy PM Shuvalov and Deputy PM Sechin on the value of low oil prices for Russia. Putin ensured

that such differences of opinion did not spill out to the public, maintaining the image of a cohesive and loyal government. Lipman did not judge the current economic crisis to be dire enough to threaten Putin's position, or even cause him to change his economic policies.

15. (SBU) Carnegie's Nikolay Petrov said the Center had a working group to figure out the "clan structure" in the Russian government. He said the clans were not stable, changing according to the issue at hand. Putin played the clans by favoring one on one day, and another on the next. That the liberal clan was in the minority was illustrated by Putin's unexpected decision to pursue WTO membership from within a customs union with Kazakhstan and Belarus.

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AmCham on Corruption  
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16. (SBU) In a June 30 meeting with American Chamber of Commerce members in Russia, AmCham members told Codel Berman that the situation on corruption in Russia, while still a concern, had improved somewhat for U.S. companies doing business there. Overall, one member estimated that corruption in Russia caused U.S. businesses an average of 5-10 percent of operating expenses. Although the level of government corruption was perceived as unchanged, instances of corrupt business practice had declined. AmCham members attributed this to the realization that corruption slowed down doing business, siphoned off profits and subsidies, and increased expenses to cover the higher risk that working in a corrupt environment entailed. All agreed that larger companies were more able than smaller and medium sized companies to fend off attempts by Russian officials and business partners to engage in corrupt practices. AmCham president Somers highlighted the positive influence of U.S. business in Russia, with 95 percent of Russian

MOSCOW 00001780 002 OF 002

employees in American companies believing their company "conducted business in a transparent manner," compared to 66 percent in Russian companies.

BEYRLE